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FM AMEMBASSY ISLAMABAD
TO RUEHC/SECSTATE WASHDC IMMEDIATE 3248
INFO RUEHBUL/AMEMBASSY KABUL PRIORITY 0498
RUEHLO/AMEMBASSY LONDON PRIORITY 0662
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 5100
RUEHKP/AMCONSUL KARACHI PRIORITY 1846
RUEHLH/AMCONSUL LAHORE PRIORITY 7448
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RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC PRIORITY
RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
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RUMICEA/USCENTCOM INTEL CEN MACDILL AFB FL PRIORITY

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SENSITIVE
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E.O. 12958: N/A

TAGS: [EAID](#) [EFIN](#) [ECON](#) [PGOV](#) [PREL](#) [PK](#)

SUBJECT: ADDITIONAL DETAILS ON GOP PRIORITIES FOR U.S.
ASSISTANCE

11. (SBU) Summary: Minister of State for Economy Hina Rabbani Khar told USAID Director June 11 that the GOP has started making \$312 payments to what it believes is a well-vetted list of some 1.8 million IDPs. Assistance for IDP sustainment and economic recovery in the area of conflict is estimated at \$1 billion. While sympathetic to donors' urgent need for credible information on reconstruction, Rabbani Khar was firm that the GOP, assisted by the World Bank and the Asian Development Bank, would develop meaningful assessments and that this will take time. She requested that the \$400 million of FY 09 portion of the Tokyo pledge be directed towards existing platforms like the Benazir Income Support Program (BISP), the Pakistan Poverty Alleviation Fund (PPAF), and the Higher Education Committee and the National Vocational and Technical Education Commission (NAVTEC) for maximum impact and to supplement ongoing GOP efforts. She emphasized with USAID Director that mid- to long-term infrastructure projects could also be high impact, and highlighted large unmet demands for credit for small and medium enterprises. End Summary.

Recovery/Reconstruction Assistance

12. (SBU) Minister of State for Economy Hina Rabbani Khar told USAID Director and ECON June 11 that Pakistan has estimated the funds necessary to meet the immediate, medium and longer term needs of internally displaced persons (IDPs). NADRA continues to verify new applicants, but has largely scrubbed the existing list of IDPs; the dollar amounts are calculated against NADRA's figures of 1.8 million IDPs (260,000 families). Rabbani Khar stressed, however, that the 1.8 million (and the dollar amounts derived from it) is a rolling figure: while some IDPs will undoubtedly return home in coming weeks and months, others may be displaced by upcoming or continued military action in their areas. Specifically, the GOP has calculated:

- \$110 million to provide \$312 (Rs. 25,000) per family: the first 5,000 grants are being issued June 11 via programmed magnetic strip cards that can be used to withdraw funds at any of 250 kiosks in the affected areas, both in camps and in urban areas. United Bank of Pakistan (UBL) is the umbrella organization through which the Ministry of Finance is channeling money; NADRA is the vetting agency that

verifies the identities of individuals submitted by UNHCR and others who are registering IDPs.

- \$500 million for six months sustainment: will provide returnees with approximately \$1.25/per person for the first six months to re-establish themselves at home.

- \$500 million for livelihoods recovery: longer-term maintenance for returnees to include seeds, tools, orchard rehabilitation, support to enterprises, etc., for up to two years.

13. (SBU) Rabbani Khar said the GOP is also considering housing reconstruction grants of up to \$2500 per family (depending on the level of damage) in order to reconstruct their homes. If an individual has already received a \$312 grant, that amount will be deducted from the total amount made available for home reconstruction.

14. (SBU) Rabbani Khar was sympathetic to donors' urgent need for information on reconstruction costs, but was clear that these estimates are still too rough to be genuinely useful. No one, including the GOP, is yet able to enter the conflict areas to conduct physical assessments, although training is underway for NWFP and other officials who will carry out that work. The \$1.06 billion figure mentioned by GOP officials is based solely on knowledge of what infrastructure was in an area prior to the military action combined with a rough assessment of the level of damage (severe, moderate, etc.) that area is believed to have sustained.

Structuring the Tokyo Pledge

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15. (SBU) Turning to the USG Tokyo pledge, Rabbani Khar strongly recommended that the USG put "measurable amounts" of money into projects; the GOP wants to help the U.S. improve its image among Pakistanis and scattering money into a large number of smaller programs lacks punch. For the \$400 million from FY 09, Rabbani Khar hoped the U.S. would supplement GOP social safety platforms and projects, thereby freeing up GOP money to fund other essential programs. Even though development spending has been increased by 40 percent in the new budget, many important projects have been left off.

16. (U) Rabbani Khar said several existing GOP programs would be excellent vehicles for USG cash transfers. Rabbani Khar said that the GOP is concerned that any assistance be sustainable and build up Pakistani institutions; she encouraged the U.S. to work in and through existing institutions.

- Benazir Income Support Program (BISP): the GOP has committed approximately \$866 million to fund BISP in the FY 09-10 budget. Rabbani Khar called BISP transparent and, with World Bank involvement, a vehicle to move money in a targeted manner, as well as easily track/audit the results.

- Pakistan Poverty Alleviation Fund (PPAF): the GOP has allocated approximately \$1 billion. If the USG provided cash transfers to cover even a portion of that, the GOP could reallocate funds elsewhere.

- Higher Education Committee (HEC)/National Vocational and Technical Education Commission (NAVTECH). Rabbani Khar did not specify a dollar amount but stressed that job creation is a goal the GOP and USG shared; NAVTEC in particular could be used to tie training to actual job needs.

Infrastructure and Credit

17. (U) Rabbani Khar emphasized to the USAID Director that medium to long term infrastructure projects such as roads, hydropower, railways, storage facilities, power lines, etc., were excellent in terms of impact and visibility. People want electricity, roads (access to markets) and schools for girls, Rabbani Khar said, and these local needs are not

always priorities of budget-makers in the capital. She said there are some 10-12 small to medium dam projects, costing \$80-\$100 million each, in Sindh and NWFP. Rabbani Khar also pointed out that the need for credit for small and medium enterprises is immense. The GOP has allocated some \$2.5 billion in the new budget to meet credit demands; the actual demand is estimated at \$7.5 billion. The UK (DFID) is running a credit program, but the amount of funding is too small to make an appreciable difference across the Pakistani economy.

18. (SBU) Comment: The GOP clearly wants as many funds as possible channeled into existing programs so that it can redirect its own urgently needed resources elsewhere. Rabbani Khar stressed that the GOP was offering what it felt were transparent, credible programs that would "not cause the U.S. any embarrassment" and that could be easily audited.
PATTERSON